

TOWN OF ORDERVILLE
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

**HINTON BURDICK**

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

MAR 1 2007

STATE OF UTAH

MEMBERS:

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MORRIS J. PEACOCK

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MICHAEL K. SPILKER

MARK E. TICHENOR

Independent Auditors' Report

The Honorable Mayor and
Town Council
Orderville, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orderville, Utah, as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Orderville's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orderville as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2006 on our consideration of the Town of Orderville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3-9, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Orderville, Utah. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hinton, Burdick, Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

November 6, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Orderville (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$184,351 which resulted in total assets in excess of total liabilities (net assets) of \$1.36 million at the close of the fiscal year.
- Total business-type revenues exceeded expenses by \$13,172.
- Total revenues from all sources were \$523,805.
- The total cost of all Town programs was \$339,454.
- The General Fund reported excess revenues over expenditures of \$171,179 on the Statement of Activities..
- Actual resources received in the General Fund were less than the final budget by \$42,036 while actual expenditures were \$81,803 less than the final budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, highways and streets, parks and recreation, justice court, and cemetery. Property taxes, sales tax, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover all or most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$1.3 million as of June 30, 2006 as shown in the following condensed statement of net assets. The Town has chosen to account for its water operations in an enterprise fund which is shown as Business Activities.

Town of Orderville Statement of Net Assets

	Governmental Activities	Business-type Activities
	6/30/2006	6/30/2006
Current and other assets	\$ 476,785	\$ 44,187
Capital assets	559,972	442,364
Total assets	<u>1,036,757</u>	<u>486,551</u>
Long-term liabilities outstanding	100,000	18,000
Other liabilities	43,076	6,528
Total liabilities	<u>143,076</u>	<u>24,528</u>
Net assets:		
Invested in capital assets, net of related debt	459,972	423,113
Restricted	62,545	-
Unrestricted	371,164	38,910
Total net assets	<u>\$ 893,681</u>	<u>\$ 462,023</u>

Governmental Activities

The cost of all Governmental activities this year was \$260,786. As shown on the statement of Changes in Net Assets on the following page, \$52,692 of this cost was paid for by those who directly benefited from the programs; \$139,164 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$431,964. General taxes, impact fees, and investment earnings totaled \$217,859.

The Town's programs include: General Government, Public Safety, Highways and Streets, Parks & Recreation, Justice Court and Cemetery. Each program's revenues and expenses are presented below.

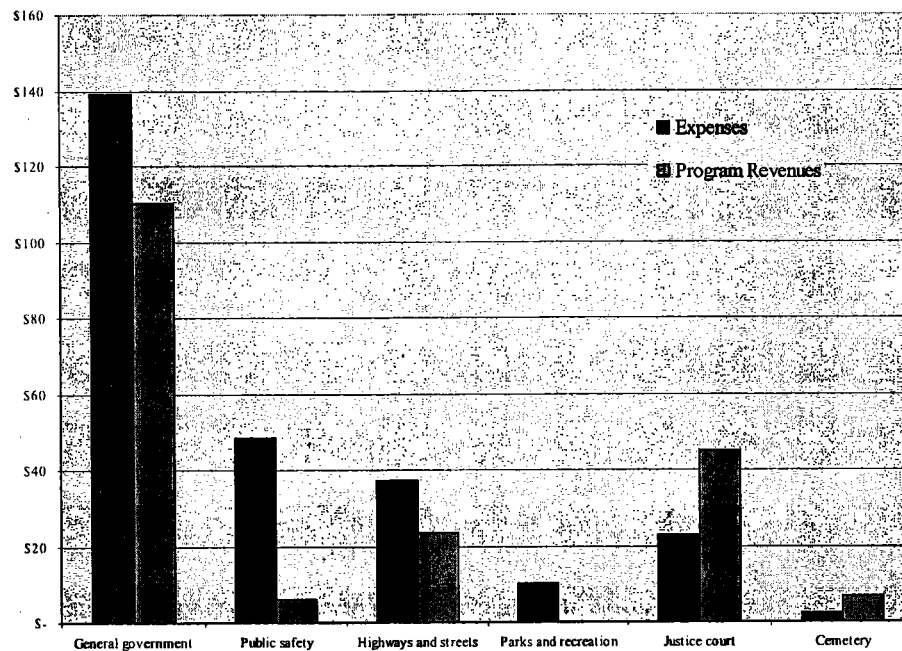
**Town of Orderville
Changes in Net Assets**

	Governmental Activities	Business-type Activities
	<u>6/30/2006</u>	<u>6/30/2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 52,692	\$ 79,440
Operating grants and contributions	29,732	-
Capital grants and contributions	109,432	-
General revenues:		
Taxes	209,450	-
Other	30,658	12,401
Total revenues	<u>431,964</u>	<u>91,841</u>
Expenses:		
General government	139,240	-
Public safety	48,531	-
Highways and streets	37,382	-
Parks and recreation	10,453	-
Justice court	22,696	-
Cemetery	2,483	-
Water	-	78,669
Total expenses	<u>260,785</u>	<u>78,669</u>
Increase in net assets	171,179	13,172
Net assets, beginning	722,502	448,851
Net assets, ending	<u>\$ 893,681</u>	<u>\$ 462,023</u>

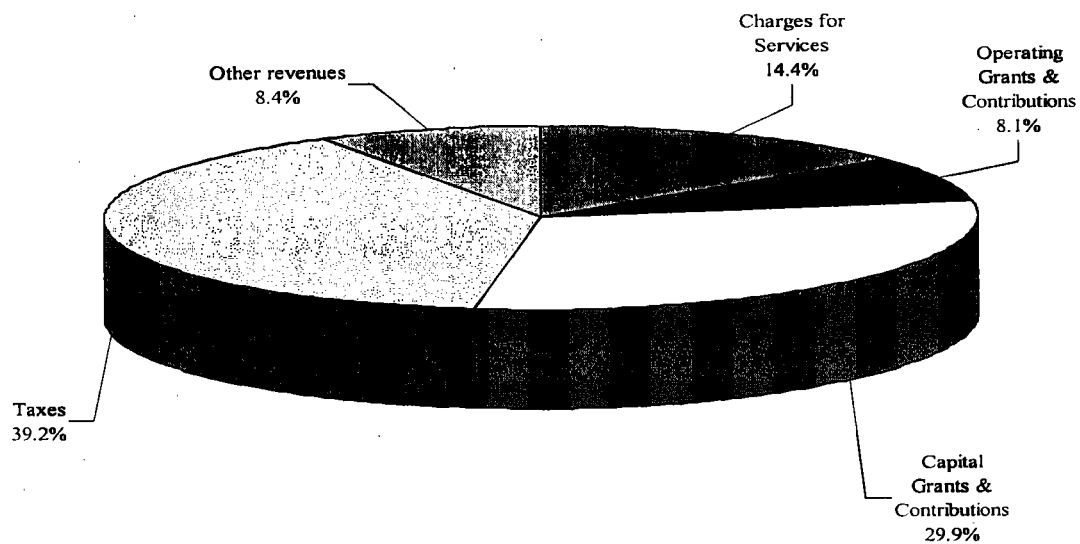
Total resources available during the year to finance governmental operations were \$1,154,466 consisting of Net assets at July 1, 2005 of \$722,502, program revenues of \$52,692 and General Revenues (including transfers) of \$379,272. Total Governmental Activities during the year were \$260,786; thus Governmental Net Assets were increased by \$171,178 to \$893,680.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



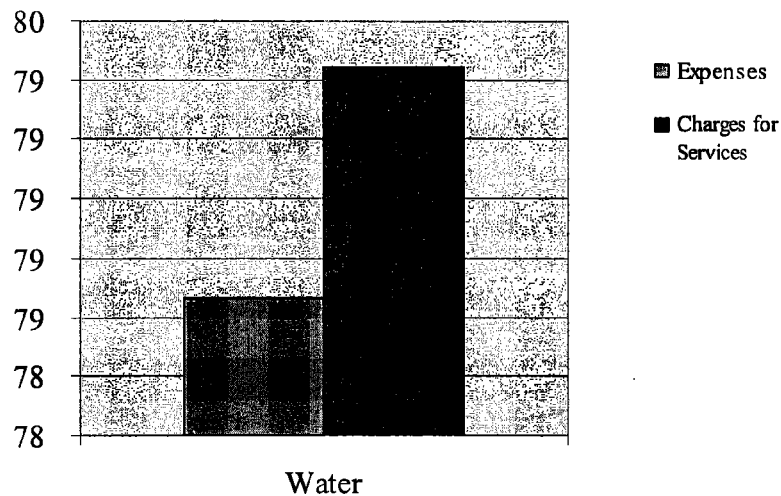
Revenue By Source - Governmental Activities



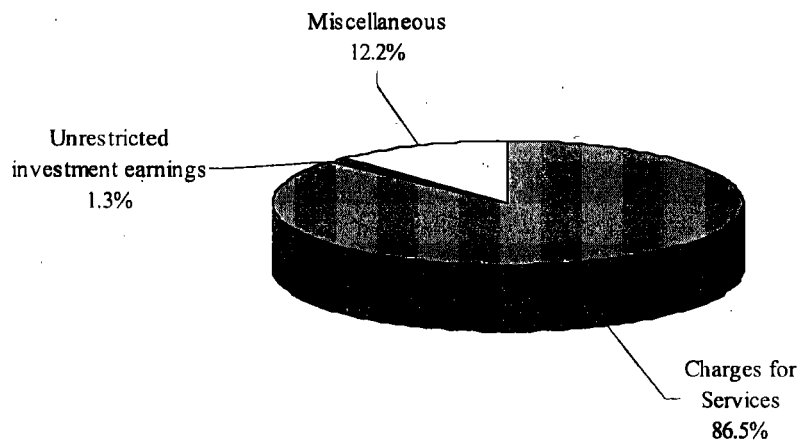
Business Type Activities

Net assets of the Business Type activities at June 30, 2006, as reflected in the Statement of Net Assets were \$462,023. The cost of providing all Proprietary (Business Type) activities this year was \$78,669. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$79,440 and there were no amounts subsidized by capital grants and contributions. Interest earnings, transfers, and other revenues were \$12,401. The Net Assets increased by \$13,172.

Expenses and Program Revenues - Business- type Activities
(in Thousands)



Revenue By Source - Business-type Activities



General Fund Budgetary Highlights

The final appropriations for the General Fund at year-end were \$81,802 more than actual expenditures. Actual revenues were less than the final budget by \$42,036.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2006, net capital assets of the government activities totaled \$559,972 and the net capital assets of the business-type activities totaled \$441,113. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town had \$18,000 in proprietary debt and \$100,000 in general government debt. The debt is a liability of the government. During the current fiscal year, the Town issued \$100,000 of resort tax revenue bonds, Series 2005. The proceeds from these bonds is being used to fund the new Town swimming pool. Total debt of the Town increased by \$83,000 during fiscal year 2006 (See note 6 to the financial statements for detailed descriptions).

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2006/2007, the Town Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2005/2006.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town of Orderville, P.O. Box 165, 84758 or call (435) 648-2534.

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BASIC FINANCIAL STATEMENTS

TOWN OF ORDERVILLE, UTAH
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 353,427	\$ 74,594	\$ 428,021
Receivables (net of allowance)	12,751	16,986	29,737
Internal balances	47,393	(47,393)	-
Prepays	5,657	-	5,657
Temporarily restricted assets:			
Cash and cash equivalents	57,557	-	57,557
Capital assets (net of accumulated depreciation):			
Land	58,990	-	58,990
Buildings	180,526	-	180,526
Improvements	95,826	-	95,826
Machinery and equipment	53,001	14,330	67,331
Distribution system	-	426,783	426,783
Construction in progress	171,629	-	171,629
Other assets:			
Bond issue costs (net of accumulated amortization)	-	1,251	1,251
Total assets	<u>1,036,757</u>	<u>486,551</u>	<u>1,523,308</u>
Liabilities			
Accounts payable and other current liabilities	43,076	6,528	49,604
Noncurrent liabilities:			
Due within one year	96,000	18,000	114,000
Due in more than one year	4,000	-	4,000
Total liabilities	<u>143,076</u>	<u>24,528</u>	<u>167,604</u>
Net assets			
Invested in capital assets, net of related debt	459,972	423,113	883,085
Restricted for:			
Other purposes	62,545	-	62,545
Unrestricted	371,164	38,910	410,074
Total net assets	<u>\$ 893,681</u>	<u>\$ 462,023</u>	<u>\$ 1,355,704</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 139,240	\$ 931	\$ -	\$ 109,432	\$ (28,877)	\$ -
Public safety	48,531	-	6,124	-	(42,407)	-
Highways and streets	37,382	-	23,608	-	(13,774)	-
Parks and recreation	10,453	-	-	-	(10,453)	-
Justice court	22,696	45,119	-	-	22,423	-
Cemetery	2,483	6,642	-	-	4,159	-
Total governmental activities	260,785	52,692	29,732	109,432	(68,929)	-
Business-type activities:						
Water	78,669	79,440	-	-	-	771
Total business-type activities	78,669	79,440	-	-	-	771
General revenues:						
Taxes:						
Property taxes levied for general purposes					60,355	-
Sales and use taxes					83,236	-
Resort taxes					65,859	-
Unrestricted investment earnings					8,409	1,197
Miscellaneous					22,249	11,204
Total general revenues & transfers					240,108	12,401
Change in net assets					171,179	13,172
Net assets - beginning					722,502	448,851
Net assets - ending					\$ 893,681	\$ 462,023
						\$ 1,355,704

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 353,427
Accounts receivable	12,751
Due from other funds	47,393
Prepaid expenses	5,656
Restricted cash and cash equivalents	<u>57,557</u>
Total assets	<u><u>\$ 476,784</u></u>
 Liabilities and fund balances	
Liabilities:	
Accounts payable	\$ 35,911
Accrued liabilities	<u>7,165</u>
Total liabilities	<u>43,076</u>
 Fund balances:	
Reserved for:	
Other	62,545
Unreserved, reported in:	
General fund	<u>371,164</u>
Total fund balances	<u>433,709</u>
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	559,972
Some liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(100,000)</u>
	<u><u>\$ 893,681</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	<u>General Fund</u>
Revenues	
Property taxes	\$ 50,440
Fees in lieu of property taxes	9,915
Class "C" road funds	23,608
Liquor law enforcement tax	1,124
Sales and use taxes	83,236
Resort taxes	65,859
Licenses, permits and fees	931
Intergovernmental	5,000
Cemetery	6,642
Grant revenue	109,432
Fines and forfeitures	45,119
Interest	8,409
Miscellaneous	22,249
Total revenues	<u>431,964</u>
Expenditures	
Current:	
General government	112,099
Public safety	41,391
Highways and streets	32,338
Parks and recreation	5,207
Justice Court	22,696
Cemetery	2,483
Capital outlay	211,983
Total expenditures	<u>428,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,767</u>
Other financing sources (uses)	
Proceeds from long-term debt	100,000
Total other financing sources and uses	<u>100,000</u>
Net change in fund balance	103,767
Fund balance, beginning of year	329,942
Fund balance, end of year	<u>\$ 433,709</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds	\$ 103,767
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	167,412
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>(100,000)</u>
Change in net assets of governmental activities	<u>\$ 171,179</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2006

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive /
				(Negative)
Revenues				
Property taxes	\$ 46,000	\$ 46,000	\$ 50,440	\$ 4,440
Fees in lieu of property taxes	8,000	8,000	9,915	1,915
Class "C" road funds	22,000	22,000	23,608	1,608
Liquor law enforcement tax	800	800	1,124	324
Sales and use taxes	68,000	71,000	83,236	12,236
Resort taxes	55,000	62,000	65,859	3,859
Licenses, permits and fees	1,200	1,200	931	(269)
Intergovernmental	5,000	5,000	5,000	-
Cemetery	8,000	8,000	6,642	(1,358)
Grant revenue	205,000	205,000	109,432	(95,568)
Fines and forfeitures	28,000	39,000	45,119	6,119
Interest	1,500	1,500	8,409	6,909
Miscellaneous	4,500	4,500	22,249	17,749
Total revenues	453,000	474,000	431,964	(42,036)
Expenditures				
Current:				
General government	102,000	118,000	112,099	5,901
Public safety	40,000	42,000	41,391	609
Highways and streets	40,000	40,000	32,338	7,662
Parks and recreation	12,000	12,000	5,207	6,793
Justice Court	38,000	38,000	22,696	15,304
Cemetery	5,000	5,000	2,483	2,517
Capital outlay	216,000	255,000	211,983	43,017
Total expenditures	453,000	510,000	428,197	81,803
Excess (deficiency) of revenues over (under) expenditures	-	(36,000)	3,767	39,767
Other financing sources (uses)				
Proceeds from long-term debt	-	-	100,000	100,000
Total other financing sources and uses	-	-	100,000	100,000
Net change in fund balance	-	(36,000)	103,767	139,767
Fund balance, beginning of year	329,942	329,942	329,942	-
Fund balance, end of year	<u>\$329,942</u>	<u>\$293,942</u>	<u>\$433,709</u>	<u>\$ 139,767</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Water Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 74,594
Receivables, net of allowance	16,986
Bond issuance costs, net of accumulated amortization	<u>1,251</u>
Total current assets	<u>92,831</u>
Noncurrent assets:	
Capital assets:	
Distribution system	865,468
Machinery and equipment	31,522
Less: Accumulated depreciation	<u>(455,877)</u>
Total noncurrent assets	<u>441,113</u>
Total assets	<u>533,944</u>
Liabilities	
Current liabilities:	
Accounts payable	6,528
Due to other funds	47,393
Current portion of long-term debt	<u>18,000</u>
Total current liabilities	<u>71,921</u>
Noncurrent liabilities:	
Bonds payable (net of current portion)	<u>-</u>
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>71,921</u>
Net assets	
Invested in capital assets, net of related debt	423,113
Unrestricted	<u>38,910</u>
Total net assets	<u>\$ 462,023</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	<u>Water Fund</u>
Operating revenues:	
Charges for services	\$ 79,440
Total operating revenues	<u>79,440</u>
Operating expenses:	
Administration	4,040
Amortization	938
Contractual services	2,911
Depreciation	25,657
Materials and supplies	3,739
Salaries and wages	24,518
Utilities	<u>14,867</u>
Total operating expenses	<u>76,670</u>
Operating income (loss)	<u>2,770</u>
Non-operating revenues (expenses)	
Administration trust fee	6,704
Hookup fees	4,500
Interest income	1,197
Interest expense and fiscal charges	<u>(1,999)</u>
Total non-operating revenues (expenses)	<u>10,402</u>
Change in net assets	13,172
Total net assets, beginning of year	<u>448,851</u>
Total net assets, end of year	<u><u>\$ 462,023</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Water Fund
Cash flows from operating activities:	
Cash received from customers, service fees	\$ 70,920
Cash paid to suppliers	(34,969)
Cash paid to employees	(24,518)
Net cash flows from operating activities	<u>11,433</u>
Cash flows from noncapital financing activities:	
Hookup fees	<u>4,500</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(17,000)
Administrative Fee	6,704
Interest paid	(1,999)
Net cash flows from capital and related financing activities	<u>(12,295)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,197</u>
Net cash flows from investing activities	<u>1,197</u>
Net change in cash and cash equivalents	4,835
Cash and cash equivalents, beginning of year	<u>69,759</u>
Cash and cash equivalents, end of year	<u><u>\$ 74,594</u></u>
Reconciliation of operating loss to net cash flows from operating activities:	
Net operating income	\$ 2,770
Adjustments to reconcile net operating loss to net cash flows from operating activities:	
Depreciation/amortization	26,595
Changes in operating assets and liabilities:	
(Increase)/Decrease in receivables	(8,520)
(Increase)/Decrease in prepaid expenses	1,525
Increase/(Decrease) in accounts payable	(9,870)
Increase/(Decrease) in accrued liabilities	(1,039)
Increase/(Decrease) in due to other funds	(28)
Net cash flows from operating activities	<u><u>\$ 11,433</u></u>
Supplemental schedule of non-cash capital and financing activities:	
No items noted.	

The accompanying notes are an integral part of the financial statements.

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies

General

The financial statements of the Town of Orderville, Utah, have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Reporting entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the Town exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the Town. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

The accompanying financial statements include all activities of the Town.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an "other financing source." Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

The Town reports the following major proprietary fund:

The Water Fund is used to account for the provision of water services to the residents of the Town.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Inventories for the business-type fund (Water Fund), consisting of materials used in the extension and repair of the transmission, distribution, collection and treatment systems, are valued at cost and accounted for on a first-in, first-out basis. Inventories have not been included in the financial statements and are not considered material. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	7-40 years
Automobiles and trucks	5-7 years
Machinery and equipment	5-7 years
Infrastructure	7-40 years

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 1. Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this \$167,412 difference are as follows:

Net adjustment to decrease net changes in fund balances -	
total governmental funds to arrive at changes in net assets	
of governmental activities	<u>\$ 184,708</u>

Note 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures.
- (2) A public hearing is conducted prior to June 22 to obtain taxpayer comments.
- (3) Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level.
- (4) Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting. During the current fiscal year there were no amendments to the budget.

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 3. Stewardship, Compliance, and Accountability (Continued)

Taxes

Property taxes are collected by the Kane County Treasurer and remitted to the Town in three installments: July, December and March. Taxes are levied and are due and payable on November 1 and delinquent after November 60 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the Town monthly.

Note 4. Deposits and Investments

Deposits and investments of the Town at June 30, 2006 consist of the following:

	General Fund	Enterprise Fund
Deposits		
Cash in bank	\$ 312,320	\$ 74,594
Investments		
State treasurer's investment pool	<u>98,664</u>	<u>-</u>
Total deposits and investments	<u>\$ 410,984</u>	<u>\$ 74,594</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets as follows:

	General Fund	Enterprise Fund
Unrestricted funds	\$ 353,427	\$ 74,594
Restricted funds		
"C" Roads funds	52,780	-
Trust and agency funds	<u>4,777</u>	<u>-</u>
Total cash	<u>\$ 410,984</u>	<u>\$ 74,594</u>

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 4. Deposits and Investments, Continued

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2006, \$204,529 of the Town's bank balance of \$404,529 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 4. Deposits and Investments, Continued

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006 the government had the following investments and maturities:

Investment type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 98,664	\$ 98,664	\$ -	\$ -	\$ -
Total fair value	<u>\$ 98,664</u>	<u>\$ 98,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The town's policy for reducing exposure to credit risk is to comply with the State of Utah's Money Management Act.

At June 30, 2006, the Town had the following investments and quality ratings:

Investment type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 98,664	\$ -	\$ -	\$ -	\$ 98,664
Total fair value	<u>\$ 98,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,664</u>

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets, not being depreciated:				
Land	\$ 58,990	\$ -	\$ -	\$ 58,990
Construction in progress	-	171,629	-	171,629
Total capital assets, not being depreciated	58,990	171,629	-	230,619
Capital assets, being depreciated:				
Buildings	262,870	-	-	262,870
Improvements	110,723	17,174	-	127,897
Machinery & equipment	99,542	5,884	-	105,426
Total capital assets, being depreciated	473,135	23,058	-	496,193
Less accumulated depreciation for:				
Buildings	(73,760)	(8,584)	-	(82,344)
Improvements	(28,271)	(3,800)	-	(32,071)
Machinery & equipment	(37,534)	(14,891)	-	(52,425)
Total accumulated depreciation	(139,565)	(27,275)	-	(166,840)
Total capital assets, being depreciated, net	333,570	(4,217)	-	329,353
Governmental activities capital assets, net	\$ 392,560	\$ 167,412	\$ -	\$ 559,972

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:

General government	\$ 9,845
Public safety	7,140
Public works	5,044
Parks and recreation	5,246
Total depreciation expense - governmental activities	\$ 27,275

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 5. Capital Assets (Continued)

Business Type Activities:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets being depreciated:				
Machinery and equipment	\$ 31,522	\$ -	\$ -	\$ 31,522
Distribution system	865,468	-	-	865,468
Total capital assets, being depreciated	896,990	-	-	896,990
Less accumulated depreciation for:				
Machinery and equipment	(12,775)	(4,417)	-	(17,192)
Distribution system	(417,445)	(21,240)	-	(438,685)
Total accumulated depreciation	(430,220)	(25,657)	-	(455,877)
Total capital assets, being depreciated, net	466,770	(25,657)	-	441,113
Business-type activities capital assets, net	\$ 466,770	\$ (25,657)	\$ -	\$ 441,113

Note 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

	Balance 6/30/2005	Additions	Retirements	Balance 6/30/2006	Current Portion
Governmental activities					
Resort tax revenue bonds	\$ -	\$ 100,000	\$ -	\$ 100,000	4,000
Governmental activity long-term liabilities	-	100,000	-	100,000	4,000
Business-type activities:					
Revenue bonds	35,000	-	17,000	18,000	18,000
Business type activity long-term liabilities	35,000	-	17,000	18,000	18,000
Total long-term liabilities	\$ 35,000	\$ 100,000	\$ 17,000	\$ 118,000	\$ 22,000

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 6. Long-Term Debt, Continued

Bonds payable at June 30, 2006 are comprised of the following issues:

Revenue Bonds:

Water Fund:

6.8% taxable revenue water refunding bonds, Series 1998,
payable in semi-annual interest and annual principal installments
through 2007. \$ 18,000

General Fund:

2.5% resort tax revenue bonds, Series 2005, payable in
annual principal and interest installments through 2026. 100,000

Total revenue bonds \$ 118,000

Annual requirements to amortize long-term debt are as follows:

Fiscal Year Ended June 30	Resort Tax Revenue Bonds		Water Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	4,000	2,500	18,000	1,224
2008	4,000	2,400	-	-
2009	4,000	2,300	-	-
2010	4,000	2,200	-	-
2011	4,000	2,100	-	-
2012	4,000	2,000	-	-
2013	5,000	1,900	-	-
2014	5,000	1,775	-	-
2015	5,000	1,650	-	-
2016	5,000	1,525	-	-
2017	5,000	1,400	-	-
2018	5,000	1,275	-	-
2019	5,000	1,150	-	-
2020	5,000	1,025	-	-
2021	6,000	900	-	-
2022	6,000	750	-	-
2023	6,000	600	-	-
2024	6,000	450	-	-
2025	6,000	300	-	-
2026	6,000	150	-	-
Total	<u>\$ 100,000</u>	<u>\$ 28,350</u>	<u>\$ 18,000</u>	<u>\$ 1,224</u>

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 7. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

At June 30, 2006, the Town’s reserved and designated fund balances are as follows:

General Fund:		
Class “C” Roads		57,768
Trust Funds		4,777

TOWN OF ORDERVILLE, UTAH
Notes to the Financial Statements
June 30, 2006

Note 8. Defined Benefit Pension Plan

All full-time employees of the Town participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

The Town contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake Town, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, the Town is required to contribute 9.62% of their annual covered salary. In the Public Safety Noncontributory Retirement System, the Town is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The required contributions and amounts received for the 2005/2006 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2006	N/A	N/A	\$ 5,574	\$ 50,262
2005	N/A	N/A	\$ 5,359	\$ 48,321
2004	N/A	N/A	\$ 4,505	\$ 46,830

TOWN OF ORDERVILLE, UTAH

Notes to the Financial Statements

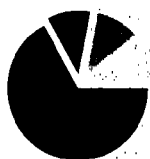
June 30, 2006

Note 9. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in the operating funds, with unallocated or Town-wide activities being accounted for in the general fund.

The Town maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust and worker's compensation through the Worker's Compensation Fund of Utah.

FEDERAL AND STATE REPORTS



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

**Independent Auditor's Report on Compliance with
Laws and Regulations and on
Internal Control over Financial Reporting
Based on an Audit of Basic
Financial Statements Performed in Accordance
with *Government Auditing Standards***

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

To the Honorable Mayor and
Members of the Town Council
Orderville, Utah 84767

We have audited the basic financial statements of the Town of Orderville, Utah, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Town in a separate letter dated November 6, 2006.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Town of Orderville in the accompanying management letter dated November 6, 2006.

This report is intended for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hinton, Burdick, Hall & Spilker PLLC
HINTON, BURDICK, HALL & SPILKER, PLLC
November 6, 2006.



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAS & ADVISORS

Independent Auditor's Report on State Legal Compliance

To the Honorable Mayor and
Members of the Town Council
Orderville, UT 84767

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the basic financial statements of the Town of Orderville, Utah, for the year ended June 30, 2006, and have issued our report thereon dated November 6, 2006. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Liquor Law Enforcement
Justice Courts
Other General Compliance Issues
Department of Commerce
B & C Road Funds
Impact Fees & Other Development Fees
Asset Forfeitures

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

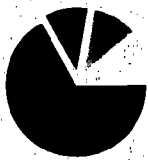
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Orderville, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hinton, Burdick, Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
November 6, 2006



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Findings and Recommendations

To the Honorable Mayor and
Members of the Town Council
Orderville, UT 84767

Ladies & Gentlemen:

During our audit of the funds of the Town of Orderville for the fiscal year ended June 30, 2006, we noted several improvements in the Town's accounting and budgeting system and wish to commend you for your achievements. We noted a few areas needing corrective action in order for the Town to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

State Compliance Findings and Recommendations:

1. Timeliness of Deposits

Finding

Utah Code Annotated, 1953, as amended, section 51-4-2, requires all cash receipts to be deposited within three business days of receipt. However, during our testing, we noted some justice court receipts were not deposited within three days of receipt.

Recommendation

We recommend that the Town deposit all cash receipts within the three business days specified by Utah law.

2. Justice Court State Remittances

Finding

Surcharge payments to the Utah State Treasurer's Office were not remitted in a timely manner. Per Utah Code 51-4-2(4)(a), the correct amount is to be remitted to the State Treasurer's Office by the 10th of the month following the receipt of the surcharges.

Recommendation

We recommend that the Town remit the proper surcharge amounts to the State Treasurer's Office by the 10th of each month, in compliance with State law.

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

3. Justice Court Trust Monies

Finding

During our testwork we noted that the Town does not maintain a separate account for Justice Court Trust monies, nor does the Town maintain a subsidiary ledger to track those monies.

Recommendation

We recommend that the Town establish a subsidiary ledger and a bank account for the tracking of all Justice Court Trust monies.

4. Justice Court Adjustments

Finding

We noted in our testwork of the Justice Court that the Town did not have evidence of the Judge's approval for adjustments to assessed fines.

Recommendation

We recommend that the Justice Court maintain written evidence of all adjustments approved by the Judge.

5. General Fund Balance

Finding

Utah Code 10-5-113(2) requires that the town maintain an unrestricted fund balance in the general fund not to exceed 75% of the following year's budgeted revenues. The Town has exceeded the maximum of 75% in the general fund by \$165,190.

Recommendation

We recommend that the Town make adjustments as necessary to the upcoming year's budget in order to reduce the excess fund balance.

General Findings and Recommendations:

I. Bank Account Reconciliations

Finding

During our testwork of cash, we noted several bank accounts that were not reconciled in a timely manner. We also noted that the reconciled balance in the General Fund checking account did not agree to the general ledger. We also noted that the General Fund checking account had several outstanding checks that were more than two years outstanding.

Recommendation

We recommend that all bank accounts be reconciled in a timely manner and that the reconciled balance per the bank reconciliation always agrees to the general ledger and any differences be investigated and resolved. We also recommend that the Town review its outstanding checks regularly and void any applicable checks.

It has been a pleasure to be of service to the Town during this past year. We would like to express special thanks to Carol Lamb, who always assists us so efficiently and effectively during the audit. We invite you to ask questions of us throughout the year as you feel it necessary. We look forward to a continued pleasant professional relationship.

Sincerely,

Hinton, Burdick, Hall + Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

November 6, 2006

Town of Orderville

P.O. Box 165

Orderville, Utah 84758

(435) 648-2534

March 21, 2007

Mr. Morris Peacock
Hinton, Burdick, Hall & Spilker
PO Box 38
63 South 300 East, Suite 100
St. George, Utah 84771

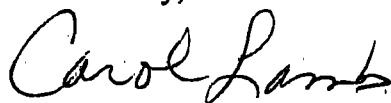
Dear Morris:

I am writing in response to the management letter sent by your office regarding the audit ending June 30, 2006. There are still several areas that need attention in order for the Town of Orderville to be in compliance with state laws and regulations. They are as follows:

1. Timeliness of Deposits: The Town has really tried to improve in this area. The Town will continue to try and deposit all receipts within three business days as required by law.
2. Justice Court State Remittances: The Town will try and remit the surcharges to the Utah State Treasurer's Office in a more timely manner.
3. Justice Court Trust Monies: The Town does have a court management computer program that tracks the trust monies. The Town Council has authorized the treasurer to open a bank account for these trust monies.
4. Justice Court Adjustments: The Justice Court will have the Judge provide written evidence of all adjustments.
5. General Fund Balance: The Town will make adjustments to the upcoming year's budget in order to reduce the excess fund balance.

6. Bank Account Reconciliations: This will be done monthly, now that a new treasurer has been hired. The outstanding checks have been reviewed and voided as needed.

Sincerely,

A handwritten signature in cursive script that reads "Carol Lamb".

Carol Lamb
Town Clerk